August 28th, 2009

Susan Hudson
Vermont Public Service Board
112 State Street, Drawer 20
Montpelier, VT 05620-2701

Re: Docket 7523 &7533
Implementation of Standard Offer Prices for Sustainably Priced Energy Enterprise Development (SPEED) Resources

Dear Ms. Hudson:

Renewable Energy Vermont (REV) would like to submit these supplemental comments to the final report issued today by the Cost Analysis Subgroup. These comments were too substantial to be included in the final report, given how close to the deadline they were sent.

These comments are not REVs response to the final report; we will still be submitting final comments by the September 7th deadline.

Listed below are REV's concerns and comments on the DPS's cost analysis modeling that was submitted on Monday (Aug. 24th) and that are included in the final subgroup report.

1. REV believes that the 7% financing rate is unrealistic, REV can't find any justification for such low cost financing. Comparisons to what utilities have been able to secure are not appropriate. We think 10% is a more realistic financing number.

2. Capacity Factors(CP)
   - We don't know of any justification for a higher capacity rate for larger PV projects (the DPS adds 2% points for projects over 15kW). We think the capacity factor should be 13% for all projects, regardless of size.
   - The wind CP of 26.6 % for a 1.5MW project is too high. While there are sites in VT where the wind resource is great enough to obtain CPs this high these are more remote higher elevation sites that will not likely be the locations for wind projects under 2.2MW. We think the CP for a generic project should be in the 20 to 24% range.

3. Availability of tax credits.

- The DPS model assumes the state tax credit can be utilized for all sized projects. We do not think the full federal and state tax credit is "reasonably available" as there are few entities that have that much tax liability.
- An entity must be paying sufficient federal tax to take the federal ITC (not grant) and to be eligible for the full VT ITC. For a sample 2 MW project the company would need annual revenue of over $300 million to be able to take full advantage of both the federal and state ITC. As there are only a couple of companies in VT with that kind of revenue we do not think this meets the "reasonably available" test in Act 45. Here is how we calculated the need for over $300 million in revenue:

ITC Required Revenue Calculation

	Federal	State
Project Size (MW)	2	2
$/kW	6,400	6,400
Total Project Cost ($)	12,800,000	12,800,000
ITC Qualifying (% of Total Cost)	95%	95%
ITC Qualifying Amount ($)	12,160,000	12,160,000
ITC (%)	30%	30%
ITC Value ($)	3,648,000	3,648,000
Tax Rate	35.0%	8.5%
Required Taxable Income ($)	10,422,857	42,917,647
Profit Margin	13%	13%
Required Revenue ($)	80,175,824	330,135,747

- In addition, Act 45 added language regarding the Vermont solar tax credit that states that the Vermont ITC is reduced by any other incentives the project receives. Pending a determination from the Vermont Tax dept. the Standard Offer could be seen as an "incentive" and the value of the tax credit reduced.

4. Availability of the CEDF grant
   - The DPS cost analysis includes a full $250,000 grant from the CEDF. We do not think that a full $250K grant should be considered reasonably available. If the competitive grant process is altered so that there is a flat $/kW rebate for larger systems (like there is currently for systems <5kW) than that amount should be considered. Currently that max amount is only $8,750. If all projects have to apply for the maximum CEDF (in relation to their project size) to make the project profitable than it will be difficult to have the statutory "rapid development" as there will be long delays as projects wait for the next CEDF grant round. Furthermore the financial limits and broad goals within the CEDF as well as the CEDF Board's current discussions

about not making grants to projects that received the standard offer will likely prohibit many projects from receiving the full CEDF grant.

5. DPS' Solar Cost Analysis:
    - There is an availability of 100% (cell C33) that is not realistic. Every system has some down time. 98% is a reasonable number for financial models. Availability may be better than that, but an investor will not bank on it.
    - There is a 90% factor (cell G12) to convert DC to AC that is too high. That should be in the 77% to 83% range.
    - The working capital (cell C7) is very low. We do not think it is realistic to expect a project to operate with only $1,650 in the bank. There needs to be more money available than that as contingency.
    - The listed cost for a 2.2MW PV system at $3.95/watt is way too low. This might be acceptable if you than add to that the land, engineering, excavation, interconnection, construction financing, insurance, warranty reserve, profit, etc. REV thinks total costs for a generic 2.2MW project should be over $6/watt.

Thank you for the opportunity to submit these supplemental comments to the Cost Analysis Subgroup's final report.

Sincerely,

Andrew Perchlik